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JPRS L/10611

24 JUNE 1982

Korean Affairs Report

(FOUO 5/82)



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KOREAN AFFAIRS REPORT

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S. KOREA/FOREIGN RELATIONS

SOUTH KOREA'S ECONOMY, ACTIVITY IN AFRICA, REVIEWED

Paris MARCHES TROPICAUX ET MEDITERRANEENS in French No 1899, 2 Apr 82 pp 892-895

[Text] Until 1979, South Korea experienced spectacular economic development: the GNP increased by an average of 10 percent a year from 1970 to 1980, and some targets of the 1977-1981 Five-Year Plan were achieved in 2 years. That country had thus become a genuine modern industrial power, making effective use of its labor, and having a good supervisory staff. However, in 1979 and particularly in 1980, Korea's growth slowed because of numerous economic and political difficulties. In 1980, for the first time, it had a negative rate of economic growth: 5.7 percent. This situation did not continue, however, because South Korea changed its policy, and the positive results of the reforms appeared in 1981. It is estimated that the rate of growth in the GNP will be 7.1 percent in 1981. Moreover, inflation stabilized in 1981.

French-Korean trade relations have been characterized by major contracts. However, indications are that the development of Korean industry will convince that country to handle the supervision of projects itself, and that the major projects will gradually give way to individual sales of capital goods. In order to develop a better understanding of Korea and of French opportunities for trade with Korea, the French Center for Foreign Trade on 18 March organized an information day in Paris led by Jean-Marc Bernard, commercial counselor in the French Embassy in Seoul.

For our part, in order to provide information on Korea's economic relations with Africa, we are presenting a previously unpublished survey to inform both Africa and Europe about what Korea exports and obtains, and by what means, in an increasing number of African countries, and to explain the features of South Korean development.

All of South Korea's policy is motivated by two main considerations: to counter everywhere the efforts of North Korea, and to develop exports at all costs.

The Seoul government certainly could not ignore the African continent, and over some 15 years of enterprising efforts it has built up a remarkable position. It has developed interests which, though not yet substantial, nevertheless occupy a not insignificant place in Korea's policy, economy, and planning.

The South Korean Economy: Growth and Vitality

By way of introduction, it should be recalled that the country's economy has shown astounding growth and vitality during the past 25 years. The following are the main statistics.

In 1953, just prior to the war that devastated it, South Korea was in a state of absolute poverty, which was even more disturbing since the southern part of the peninsula is devoid of any significant natural wealth, and particularly any energy resources.

With an area of 98,807 sq km, comparable to the Netherlands, Iceland, and Portugal, South Korea today has a population of 38 million, or 384 per sq km, making it one of the most densely populated countries in the world. The growth rate is 1.6 percent. The urban population now totals 57.2 percent of the total, with 42.8 percent still in the rural areas. The city of Seoul alone has 8.5 million people, or 22.36 percent of the total population.

The working population is about 14.5 million, of whom 34.2 percent are in agriculture, 21.3 percent in mining and industry, and 44.5 percent in services and other activities relating to industry as well as in the tertiary sector as a whole. One should also be aware that Korean emigration is significant: 700,000 Koreans live in Japan, and 650,000 in the United States--this figure will probably exceed a million at the end of the century.

The population is relatively young: 59 percent of Koreans are under 25. The people are active, enterprising, and accustomed to hardship. Their exceptional dynamism is in fact the only real resource of South Korea, a preeminently human resource.

Using 1953, the end of the war, as the zero index--the standard of living at that time being comparable to that of Chad--Korea today (1981) has a GNP estimated at U.S. \$61 billion (\$1 = 710 won; Fr 1 = 120 won), or a per capital annual income of \$1,636. It was \$532 in 1975, and so it has more than tripled in 6 years. It will probably be \$1,870 at the end of 1982 (\$280 in China; \$140 in Mali).¹

In 1981, exports totaled \$21 billion and imports \$26.3 billion (more than double the trade of the PRC).² This compares with exports worth \$6 billion in 1975 and \$1 billion in 1970. The rate of growth of the economy was 7 percent in 1981, compared to 14.2 percent in 1976, 10.5 percent in 1977, and 11.6 percent in 1978.

Korea's main trading partners are the United States and Japan. In 1981, 26.5 percent of Korean exports went to the United States, and 16.4 percent to Japan. In the same year, 26.3 percent of imports came from Japan, and 21.9 percent from the United States.

In more general categories (1981), 31 percent of Korean exports went to Asian countries (of this, 16.4 percent to Japan), 28.8 percent to North America (of which 26.5 percent went to the United States), 16.2 percent to Europe, of which

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12.8 percent went to the Community countries (1.7 percent to France), 15.3 percent to the Middle East, 3.2 percent to Latin America, 2.8 percent, \$580 million, to Africa, and 1.7 percent to Oceania.

In 1981 there was a significant rate of increase in exports to the Latin American countries, +64.2 percent; to Oceania, +27.5 percent; to Africa, +26.9 percent; to the Middle East, +26.2 percent; to North America, +22.1 percent; to Asia, +15.6 percent; and to Europe, +8.9 percent (EEC, +2.6 percent).

These exports in 1981 included: textile products, 29.5 percent, \$6.186 billion; metallurgical products, 11.2 percent, \$2.343 billion; electronic products, 10.6 percent, \$2.219 billion; naval construction, 6.7 percent, \$1.404 billion; various metallurgical products, including machine tools, 4.7 percent, \$981 million; chemical products, 2.9 percent, \$605 million; tires, 2.2 percent, \$459 million; sea products (fisheries), 2 percent, \$428 million; and plywood, 1.9 percent, \$393 million.

There was significant progress in 1981 compared to 1980 in naval construction, +127.4 percent. Textile industry exports also increased by 23.4 percent.

One noteworthy aspect of Korean exports was the construction yards, public works, and buildings in the Middle East, Libya, and Nigeria, which in 1981 earned \$3.5 billion in foreign currency.

The structure of the Korean economy is extremely concentrated, to the degree that 61.2 percent of the exports in 1981 came from 50 major companies. The principal exporters, in order of importance, are: Daewoo, which exported \$1.904 billion in 1981; Hyundai, \$1.722 billion; Samsung, \$1.607 billion; Kukje Corporation, \$846 million; Hyosung, \$786 million; Ssangyong, \$758 million; Bando Sangsa, \$622 million; Sunkyoung, \$585 million; Tongkook, \$300 million; and Hanil Synthetic, \$226 million.³

These are what in Korea is called the General Trading Companies--or chaebol in Korean--groups with diversified activities, like the Japanese zaibatsu but with the important difference that the Korean chaebol does not include a bank in the group. The banking system in Korea is very dependent on the state, which virtually controls credit and exercises a strong state-control type of role with respect to companies. The Korean economy can thus be defined as a liberal economy closely confined by the state administration.

South Korean Presence in Africa

The following is a review of the various aspects of the South Korean presence in the continent.

A) Political

Until 1975, South Korea's foreign policy toward Africa was based to some degree on reaction to North Korea's initiatives. Seoul tried to counter Pyongyang's broad efforts to penetrate the African states. Its efforts

consisted mainly of developing policy explanations; specifically, demonstrating that North Korea's nonalignment was false, and affirming South Korea's views on reunification.

The year 1975 marked a change in South Korean diplomacy toward Africa, a policy which had previously been relatively passive. It took the form, on the administrative level, of division of the Europe-Africa-Middle East Office of the Foreign Affairs Ministry in Seoul into three separate area responsibilities, one of them being Africa, which usually is headed by a high French-speaking official.

In addition to the political aspect already cited, there was also an increased awareness of the economic factors specific to Africa: the assurance of a supply of raw materials from a continent richly endowed with them, and the development of exports. Thus, Seoul gradually became knowledgeable about Africa, exploring its markets and assigning it a growing importance.

Since 1977, Korea has been engaged in a public relations campaign which has not lagged. Korean ministers have visited Black Africa, and many prominent Africans have been received officially and given VIP treatment in Seoul. Prominent examples include visits by Senegalese President Senghor in May 1979, the Equatorial Guinea foreign minister in 1980, and the foreign ministers of Liberia, Nigeria, Kenya, Ghana, and Niger in 1981.

Also, several Korean leaders have visited Africa. In November and December 1980, Foreign Affairs Minister Shinyong Lho was received in Gabon, Ivory Coast, Cameroon, Senegal, Ghana, and Gambia.

In January 1981, Minister of Science and Technology Lee Chung-oh visited Central Africa, Zaire, Equatorial Guinea, and Sierra Leone.

In April, Minister of Transportation Yoon Ja Joong was received in Liberia and Nigeria. In May, Minister of Home Affairs Suh Chung Hwa visited Djibouti. In November and December, No Tae Woo, minister of state for national security and foreign affairs, paid a visit to Nigeria and Upper Volta. In November, Chun Myung Kee, minister of health and social affairs, went to Swaziland, Botswana, Lesotho, Malawi, and Kenya.

South Korea currently has 32 embassies on the African continent, 30 of which are in Black Africa.

In North Africa: Egypt (diplomatic relations at embassy level established in December 1981), Libya (December 1980), Morocco (July 1962), and Tunisia (March 1969).

In subSáharan Africa, South Korea is represented in the following countries (in alphabetical order [according to the French spelling]): Botswana (April 1968), Cameroon (August 1961), Central Africa (September 1963), Comoros (February 1979), Ivory Coast (July 1961), Djibouti (December 1977), Ethiopia (December 1963), Gabon (October 1962), Gambia (April 1965), Ghana (November 1977), Guinea (January 1978), Equatorial Guinea (September 1979), Upper Volta

(April 1962), Kenya (February 1964), Lesotho (December 1966), Liberia (January 1964), Madagascar (June 1962), Malawi (March 1965), Mauritius (July 1971), Mauritania (November 1978), Niger (July 1961), Nigeria (February 1980), Uganda (March 1963), Rwanda (March 1963), Senegal (October 1962), Sierra Leone (June 1962), Sudan (April 1977), Swaziland (November 1968), Chad (August 1961), and Zaire (April 1963).⁴

Note:

1. There are permanent resident South Korean ambassadors only in the following countries: Cameroon, Central Africa, Ivory Coast, Ethiopia, Gabon, Ghana, Upper Volta, Liberia, Mauritania, Nigeria, Uganda, and Senegal.
2. Only Ivory Coast, Djibouti, Kenya, Lesotho, Malawi, Morocco, and Swaziland recognize only the Republic of Korea, having refused to accept representatives from North Korea. The latter is, however, represented in 45 other African countries.

Only one Black African ambassador is resident in Seoul, that of Gabon. Most of the other African ambassadors accredited in Korea reside in Tokyo or in Washington.

B) Technical Assistance

Korea's technical assistance to Africa is still at a modest level. It is based on a number of agreements with African states.

Technical cooperation agreements: Central African Republic, May 1973; Gabon, July 1975; Djibouti, February 1979; Senegal, April 1979; Zaire, November 1981.

Economic and trade agreements: Niger, December 1969; Central African Republic, May 1973; Zaire, November 1973; Senegal, April 1975; Cameroon, December 1975 and August 1977; Chad, November 1977; Sierra Leone, May 1978; Upper Volta, November 1978; Cameroon, May 1979; and Liberia, May 1981.

Fishing agreements were signed with Gambia in July 1976. Others are ready for signing with Mauritania and Morocco.

South Korea has also received a considerable number of trainees during the period 1963 to 1981: 165 from 23 African countries. There are currently 24 in Korea for training who arrived during 1981: 6 from Ethiopia, 1 from Liberia, 1 from Sierra Leone, 1 from Cameroon, 1 from Ghana, 9 from Nigeria, 1 from Mauritius, 1 from Senegal, 2 from Tanzania, and 1 from Malawi. From 1963 to 1980, 29 Kenyans received training in Korea.

During the same period, 1963-1981, Korea sent 22 experts to seven black African countries, in particular Cameroon, mainly for agriculture and fisheries.

South Korean investments in Africa have also remained at a relatively modest level. At the end of 1981, they totaled U.S. \$7,582,000--\$6,945,000 in Gabon, \$543,000 in Nigeria, \$69,000 in the Ivory Coast, and \$25,000 in Senegal.

Export credits to facilitate purchase of Korean products were larger. They reached \$145,502,000: \$100,534,000 to Nigeria, \$39,424,000 to Ghana, \$2,008,000 to Kenya (approved in 1979), \$1,881,000 to Liberia (1981), \$767,000 to Gabon (1976), and \$288,000 to Kenya (1977).

C) Grade

Korea's trade with Africa also ranks rather modestly, but is making steady progress.

In 1980, the total of exports to the whole continent was \$772.8 million, or 4.4 percent of total South Korean exports (\$17.5 billion for the same year). In 1976, this figure had been \$208 million, or 2.6 percent of total exports; in 1977 \$291 million, (2.9 percent); in 1978 \$315.4 million (2.5 percent); and in 1979 \$523.9 million (3.4 percent).

Exports to the countries of Black Africa alone were \$457 million (2.6 percent of the total) in 1980, but \$580 million (2.8 percent) in 1981, or an increase of 26.9 percent.

South Korean imports from Africa are considerably smaller. The trade balance favors Korea. In 1976, these imports totaled \$75.9 million (0.8 percent of total imports); in 1977, \$98.5 million (0.7 percent); in 1978, \$43.4 million (0.3 percent); in 1979, \$116.2 million (1 percent); and in 1980, \$171.5 million (0.8 percent).

Korea's main partners in sub-Saharan Africa in 1980 were: Nigeria receiving \$124.5 million in South Korean exports (boats, electronic equipment), but Korea importing only \$1 million (leather); Liberia, \$198.5 million of exports (boats, tires) and \$49.5 million of imports; then, in order of importance: Kenya, \$13.7 million in exports, \$17.5 million in imports; the Ivory Coast, \$7.2 million in exports (textiles, vehicles), \$2.25 million in imports (coffee, cocoa); Ethiopia (purchase of coffee); Tanzania (purchase of copper); Angola, Gabon, Uganda, etc.

It can be seen that Korea's trade with sub-Saharan Africa has thus far been mainly with English-speaking countries--particularly Nigeria, which is the focus of attention of Korean businessmen.

Exports of South Korean products are facilitated by the important role played by KOTRA (Korean Trade Promotion Corporation). This public organization, established in 1962, and analogous to the French Center for Foreign Trade, has permanent representations throughout the world. In Africa, KOTRA has offices in Cameroon, Egypt, Ethiopia, Ghana, Kenya, Liberia, Morocco, Nigeria, Senegal, Swaziland, and Zaire.

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Also, KOTRA organizes numerous fairs abroad. These have included fairs in Tripoli and Cairo in March 1976, in Casablanca in April-May 1976, and in Kinshasa in July 1976. There are similar activities almost annually in a considerable number of African capitals, including Tripoli, Nairobi, and Dakar.

Every year KOTRA also organizes export sales promotion events in Seoul--for example, the Seoul Trade Show.

Finally, the following companies, General Trading Companies, are represented and are very active in the listed countries:

--Nigeria: Daewoo, Hyundai, Bando, Samsung, Hanbaek, Haiti, and Hyosung.

--Ghana: Dongwon, Sajo (fisheries), Haechang.

--Kenya: Daewoo, Sunkyoung, Hyundai.

--Gabon: Ssanyong (cement plants).

--Liberia: Keumbo (tires).

--Guinea: Daeho, Wonyang (fisheries).

--Ethiopia: Daewoo.

It is worth mentioning the Korean construction companies (public works and construction), which have achieved remarkable results in the past few years in the Middle East (\$12 billion in contracts in 1981; \$3.5 billion in reentry of foreign currency)--we mentioned this previously--and which now have established themselves in Africa, obtaining numerous contracts, specifically in Libya and Nigeria.

--Libya: In 1981, there were 8,000 South Koreans⁵ working on or for construction yards mainly of the Daewoo group.⁶ This figure should double during 1982 because of the numerous important contracts signed. The main ones are as follows: Brak-Shwarif road, \$117 million; Socna-Shwarif road, \$119 million; Ghadames airport, \$62.5 million; a development of 7,000 dwellings, \$347 million; 2,500 schools in Tripolitania, \$526.5 million; development of Ras Lanuf port, \$295 million; and the Misurata steel complex, \$130 million.

Contracts completed by South Korean companies in Libya total \$109 million, and those now underway \$2.708 billion. Hayang Company obtained \$250 million in contracts in 1980. Its goal for 1981 is \$850 million.

In Nigeria, Hayang Construction is building 240 apartments in Sokoto and a hotel for \$168 million. It has a total of \$178 million in contracts thus far. Daewoo Company has reportedly signed a major contract worth \$1.4 billion.

The South Korean construction companies are also beginning to establish themselves in Kenya, Sudan, and Mauritania. In Mauritania, Tai Han company has

obtained two contracts: one for \$12,135,000 for housing construction, and the other very recently worth \$3.1 million.

Taehwa has contracted for \$21,470,000 of work in Malawi, and Kyungnam Company for \$10.5 million in Cameroon.

However, in spite of the remarkable performance of the Korean economy over the past 20 years, it cannot be overlooked that since 1980 it has been encountering serious difficulties whose causes are both structural and the result of circumstances.

After the assassination of President Pak Chong-hui in October 1979, the year 1980 witnessed serious political unrest, with riots in Kwangju and the repression which followed. Since then, order has been reestablished, and the new President of the Republic, Chun Doo Hwan, elected to the highest office on 25 February 1980 and the representative of the army's aspirations, is firmly maintaining it. It is true that 1980 was a bad year economically, with a negative growth rate of -6.2 percent, and that 1981 did not live up to the announced promises.

Certainly exports, at almost \$21 billion, have reached a very high level, but on the other hand the balance of payments has shown one of the largest deficits ever recorded (\$5.3 billion). The domestic market has shown a slight weakening. Thus, inflation has slowed--one of the rare positive indicators that one can find: at the end of the year it is expected to be 12 percent, compared to 34-44 percent in 1980 and at the beginning of 1981. It is nevertheless true that since 1980, and throughout 1981, the standard of living of salary workers has declined. Public officials admit it. This decline in the purchasing power of the majority of people is not likely to stimulate the domestic market or ease the concern about an economic crisis, which is already admitted. Unemployment, though not high, is increasing and must be taken into consideration. According to official statistics, it has risen to 5.2 percent of the active labor force (15 million).

In summary, the climate of confidence necessary for a recovery has not been established. Investment is more and more limited. Investment in factories and equipment dropped 2.4 percent following the decline of 24.6 percent in 1980. The statistics show that, in general, investment (domestic fixed investment) declined by 12 percent in 1980 and 5.2 percent in 1981--or 17 percent in 2 years. The difficult situation in the public works and construction sector in Korea itself illustrates these difficulties. The difficulties have an even greater impact since large sectors of Korean industry, whose staffs are often insufficiently trained, are using outdated technology, resulting in a sometimes questionable production quality.

Sixth major companies have announced that their annual reports will reveal serious deficits. It is true that the banks have received government instructions to limit the damage by granting moratoriums on payment of interest due. Nonetheless, the financial situation of most of them points to serious cash-flow difficulties.

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State currency reserves have decreased by 7.7 percent, and the foreign debt has increased. An unofficial estimate puts the debt at \$38 billion (57.8 percent of the GNP), which means a debt service rate of 17 percent, considerably higher than official estimates, and makes unrealistic the government's objective of bringing this rate down to 11 percent before the end of the Fifth Plan 1982-1987. The rise in the dollar and in American interest rates has significantly increased the burden of this debt, both for the public and private sectors, and there is no reason to expect a marked improvement in the near future.

Thus the Korean economy, though it is not really on the brink of a general crisis, and though it is able to point to certain strong features (public works in foreign markets, shipyards, and electronics industry), can in fact be seen to be in a clear recession. This was recognized by the new deputy prime minister for planning, Kim Joon Sung, when he said on 7 January 1982 that he "would try to bring the economy of the country out of the long tunnel of the recession in which it has found itself."

In reality, it is a crisis of growth. Korea, which in 25 years has passed from the stage of poverty to become one of the developed countries, now faces the problems which confront industrialized nations.

It is reasonable to believe that the extraordinary qualities of courage and dynamism which the South Koreans have shown thus far will again be demonstrated, and that the current crisis will ultimately be overcome.

Whatever the case, Korea's development in these past two decades is an example for all developing countries. It shows that human qualities--in a country lacking natural wealth, small in area, with severe climatic conditions, and moreover with the need to make a considerable defense effort to face the North Korean threat (37 percent of the budget, 6 percent of the GNP goes to the army)--can prevail over the most difficult conditions.

Work, determination, a sense of nationality and the general interest, and respect for the administration are the real factors in development. This is the lesson that South Korea's recent history offers to the world.

French-South Korean Economic Cooperation Agreement

The French JOURNAL OFFICIEL of 3 March 1982 published the text of the 5-year economic cooperation agreement between France and the Republic of Korea, signed in Seoul on 4 April 1981 and effective the same date. The document lists in an appendix the sectors must involved in economic cooperation: agriculture, animal-raising, and agrofood industry; chemical industry; energy, new forms of energy, and energy conservation; civil engineering; mechanical and electrical engineering; metallurgical and steel industries; tourism, audiovisual techniques; telecommunications; and transport.

FOOTNOTES

1. The World Bank gave the figure \$1,500 as the GNP per capita of South Korea at the end of 1979. For North Korea (120,500 sq km, 18 million people) the World Bank gave for the same year the figure \$1,130 for GNP per capita.
2. However, the trade balance showed a \$5.3 billion deficit in 1981. This was due to imports from Japan: \$6.3 billion compared to \$3.4 billion in exports; and to fuel imports: \$6.9 billion. The "invisible" balance was also in deficit by \$2 billion. By comparison, Taiwan's exports in 1981 totaled \$22.6 billion, Hong Kong \$21.7 billion, and Singapore \$20.9 billion.
3. However, special mention should be made of small and medium enterprises, which total 27,455 out of a total of 28,809 companies in Korea. These employ 43 percent of the work force (909,000) of Korean industrial and commercial enterprises. Production by small and medium enterprises in 1978 totaled \$12.2 billion out of \$38.3 billion, or 31.9 percent of total industrial production. In 1979, they contributed 35.1 percent of total Korean exports.
4. The Republic of Korea does not have diplomatic relations with South Africa.
5. Korean Air Lines serves Libya once a week with a Seoul-Bahrain-Tripoli route.
6. The Huundai, Samsung, Hayang, and Yuwon groups also cooperate in Libya.

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N. KOREA/POLITICS AND GOVERNMENT

'MAINICHI' VIEWS DPRK SITUATION, SUCCESSION ISSUE

OW230925 Tokyo MAINICHI DAILY NEWS in English 22 Apr 82 p 2

[Editorial: "North Korean Situation"]

[Text] The DPRK (North Korea) decided, at its Supreme People's Assembly [SPA], on the new lineup of its government leaders including President Kim Il-song who was reelected. President Kim delivered an address outlining the country's internal and external policies on April 14. It is significant to note that President Kim attached special importance to economic construction, especially the achievement of the food production target.

Kim's address is believed to have disclosed the actual conditions of North Korea today and its future course. Attention was focused on the SPA which strangely failed to mention Kim Chong-il, the son of Kim Il-song, while announcing the lineup of the government leaders. Earlier, it had been rumored that Kim Chong-il would be elected vice president, but he was given no government post. Moreover, the Assembly ended in one day. No names were announced for the home minister and the defense minister.

Considering the way the lineup was announced, speculation ran high that the internal North Korean politics must have been harassed by serious domestic strife. President Kim, in his policy speech made at the joint session of the KWP and the SPA the same day, declared that promotion of socialism is impossible without economic construction and that the material and technological foundations of communism and socialism must be further strengthened for that purpose. He then called on the nation to redouble its efforts to realize the production targets of fishery and agricultural products. It was a far cry from his past speeches which gave top priority to industry.

North Korea officially announced that the 1979 food production was 9 million tons and that the 1980 production reached the level of 1979. The official report also declared that the year 1981 was a bumper year, but failed to announce the exact figures. Hence, it was speculated that North Korea might have failed to realize its target in 1981 due to cold weather damage.

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Against such a stringent background, the country had to export rice for the purchase of necessary items including oil, thus wrecking the domestic food supply system. Kim's unusual stress on stepping up agricultural production and the abstract official statement on the 1981 food production suggest that the country is in a tight fix as far as the food situation is concerned.

Great people's halls have been constructed at various places in North Korea to celebrate the 70th birthday of Kim Il-song. The Korean president, however, made no mention of the halls in his policy speech.

A report has it that an excessive amount of capital, materials and manpower has been used for the construction of the memorial halls, and that this resulted in applying additional pressure on other fields of economic activities. The same source added that the excessive manner of constructing such structures gave rise to great dissatisfaction among the masses. The president's son Kim Chong-il has led the campaign to build the memorial halls.

A top ranking North Korean leader told Japanese reporters that Kim Chong-il has been quite active as an assistant to the president, adding that the son is regarded as a successor to Kim Il-song not because he is the president's son but because he possesses excellent leadership and personality in his own right. The speculated shift of power, however, has caused criticism at home and abroad as a kind of hereditary succession.

President Kim also touched in his speech on the independent and peaceful unification of North and South Korea while, at the same time, calling for the withdrawal of the U.S. forces stationed in South Korea. The ratio of defense spending in the total expenditures somewhat decreased compared with that of last year, but it is still a high 14.5 percent.

It may be important to push through mechanization of agriculture and promote reclamation and exploitation for increased food production, but we believe that what is more important is the effort to ensure stability in the Korean Peninsula. We urge North Korea to open the way for a definite North-South dialogue.

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N. KOREA/FOREIGN RELATIONS

DPRK CANCELING INVITATIONS TO JAPANESE

OW200901 Tokyo MAINICHI SHIMBUN in Japanese 17 May 82 morning edition p 2

[Text] Since early May the DPRK (North Korea) has one after another been canceling its invitations to Japanese groups of various circles. Events marking the 70th birthday of President Kim Il-song were held on 15 April and more and more Japanese groups were visiting North Korea than usual. The cancelations have given rise to speculation among those concerned that "something must be happening in Pyongyang now."

A group of the Liberal Democratic Party's Afro-Asian Affairs Research Council, which was scheduled to visit Pyongyang during the series of holidays in May, was the first to have its invitation canceled by North Korea. On the eve of its scheduled departure in late April, the group, headed by Mitsuharu Amano, was informed by the General Association of Korean Residents in Japan [Chongnyon] of the North Korean Government's wish to "postpone the visit." The reason cited by Chongnyon was: "After attending the festivities celebrating President Kim Il-song's birthday, many of the guests from various countries have been staying in Pyongyang and, therefore, it will be impossible extend a proper reception to your group."

The Afro-Asian Affairs Research Council gave up its plan to send a mission to North Korea but citing "delegation head Amano's ill health" as the reason. The council accepted Pyongyang's request that they do not reveal the fact that it was North Korea which rejected the visit.

On 10 May the North Korean side notified Kono, acting head of the New Liberal Club [NLC], that it was canceling its invitation to him "due to domestic circumstances." Kono had planned to visit North Korea on 20 May to keep his party's ties with the two Koreas in balance following NLC representative Tagawa's visit to South Korea on 10 May.

In the nonpolitical field, a group from physical education circles scheduled to leave for North Korea in late May and led by Hisata Yamaguchi, director of the athletics association, and a mission of five mayors from the Higashikatsura area in Chiba Prefecture, including the mayors of Matsudo and Kashiwa, had their invitations canceled on the eve of their departure. In either case, the groups received cables shortly before the scheduled

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departure dates saying "We cannot accept you due to circumstances." When they asked the officials concerned for explanations, the only reply they got was: "We are also declining all other proposed visits."

This flurry of moves shown by the North Korean side has given rise to the speculation that "something unusual must be going on there." The reasons the LDP and other related sources have given for this conclusion are as follows:

- 1) A Supreme People's Assembly [SPA] session, which opened on 5 April, closed after 1 day, which is unusual in view of the fact that usually it lasts for 4 to 5 days;
- 2) At the SPA session, Secretary Kim Chong-il, President Kim Il-song's first son and virtually the No. 2 man in North Korea, failed to get elected to a key post in the state organization; also, the method of succession from Kim Il-song to Kim Chong-il was not made clear; and,
- 3) In the state organizational reshuffle, the names of two important cabinet members--the defense and interior ministers--were not announced on the same day, possibly indicating that a large-scale reshuffle is in progress in the defense and police organizations.

The Foreign Ministry, however, is skeptical of this view. It says that, if something unusual is taking place in North Korea now, it should have captured the attention of ordinary travelers and North Korea should have canceled invitations not only to Japanese groups but also to other foreign groups; but there are no indications that North Korea is doing so. It adds that a visit by a delegation of the Japan-North Korea Trade Association planned for 16 May for the purpose of holding business talks is likely to be carried out as scheduled; and that the canceled invitations have been limited to those extended to groups planning to visit North Korea for friendship purposes.

On this basis, the Foreign Ministry says, "It is not right to take the cancelations as an expression of displeasure at Japan's refusal to grant an entry visa to SPA Deputy Hyon Chun-kuk in connection with the scheduled visit to Japan by a delegation of North Korean fisheries negotiators, which he was supposed to head."

Meanwhile, since Japan refused to grant an entry visa to Hyon Chun-kuk, North Korea has been accepting visits by a number of Japanese groups; therefore, the Foreign Ministry's interpretation does not fully explain the situation.

Meanwhile, it should be noted that the cancelations came at a time when the Japan-South Korea talks on economic cooperation involving an amount of \$6 billion are deadlocked. It is not clear whether this has something to do with the cancelations but it appears almost certain that the North Korean Government's action has some complicated background. Officials concerned are likely to continue efforts for some time to resolve this puzzle.

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CSO: 4105/122

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